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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 2911

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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000692

SIPDIS

SCA/CEN; EEB

ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR HUEPER

E.O. 12958: DECL: 06/04/2019

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SUBJECT: TURKMENISTAN: DEPUTY FOREIGN MINISTER SAYS DOOR

IS OPEN FOR ENERGY PARTNERS, BUT ON TURKMEN TERMS

Classified By: Charge Richard Miles, reasons 1.4 (b) and (d).

11. (C) SUMMARY: On May 29, Deputy Foreign Minister, Toyly Komekov, told members of the Morningstar delegation that the door to Turkmenistan is open to foreign energy companies, provided they respect Turkmen policies concerning the development of its energy resources. He cited President Berdimuhamedov's energy sector policies of diversification and integration with the world economy. Komekov highlighted large investments taking place in the energy sector and stressed Turkmen interest in acquiring advanced technology and training for its oil and gas cadres. Ambassador Morningstar noted that, based on meetings with energy sector chiefs, there appeared to be a way for the Turkman Government and U.S. energy companies to reach agreement that would allow foreign entities to operate onshore. He delivered the message that the U.S. wants to see a strong, sovereign Turkmenistan that controls the development of its resources and achieves maximum production for the benefit of its people.
END SUMMARY.

12. (C) Special Envoy for Eurasian Energy Richard Morningstar and his delegation met on May 29 with Deputy Foreign Minister Toyly Komekov to discuss bilateral cooperation focused on energy issues. Komekov hoped that Morningstar's meetings earlier in the day with ministers and chiefs in the hydrocarbon sector would give impetus to our future relationship. He mentioned that responsibility for concluding agreements with foreign energy companies lies with the State Agency for the Management and Use of Hydrocarbon Resources (State Agency). Komekov suggested that State Agency Chairman, Yagshygeldi Kakayev, must have explained the Turkmen position in detail. He said the officials in the oil and gas sector are the experts that can best address concrete issues of collaboration. Turkmenistan pursues an open door policy, working with many large energy companies in Ashgabat and the Caspian region. Onshore production is carried out in cooperation with mostly European service companies. Komekov mentioned President Berdimuhamedov's policies of diversification of export routes and the integration of Turkmenistan with the world community, especially with regard

to energy issues. Collaboration with foreign companies takes place on a tender basis, with no restrictions regarding the nationality of any company.

13. (C) Noting that economic development requires investment, Komekov indicated that the pace of investment in the Turkmen economy was quite large, especially in the energy sector. Major investments were taking place both in the Caspian and onshore. He mentioned the long term contract with China National Petroleum Company (CNPC) on a production sharing agreement (PSA) basis, and CNPC's development and extraction of gas on the right bank of the Amu Darya. Looking ahead, Turkmen priorities are obtaining the latest technologies and training its oil and gas cadres. Each year, more than 1,000 Turkmen students study subjects related to oil and gas at state expense in foreign countries. Komekov suggested that it would be welcome if the U.S. could support such training, perhaps by offering a designated quota of Turkmen students to study at U.S. institutions of higher education specialized in oil and gas.

14. (C) Morningstar mentioned that, based on his earlier meetings, it appeared that there was a significant opportunity for U.S. companies to assist the Turkmen side to build up gas production. While both the U.S. Government and U.S. energy companies understand that the Turkmen Government was not willing to offer PSAs for onshore gas production, it appeared that "service contracts" could involve risk and some degree of joint operation as long as the Turkmen Government maintains control over its assets, a position that

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Morningstar noted was encouraging. This approach could provide an opening for energy companies and the Turkmen Government to enter into new types of agreements that would meet each side's needs and be mutually beneficial.

15. (C) Citing two U.S. interests with regard to Turkmen energy, Morningstar emphasized that the U.S. wanted to see Turkmenistan continue to develop as a strong, sovereign state that can make its own decisions about the development of its resources. At the same time, Turkmen gas production should be maximized for Turkmenistan's benefit and also for the benefit of gas consumers internationally. The U.S. Government stands ready to trade ideas and work as a partner in the achievement of these goals.

16. (U) Special Envoy Morningstar cleared this cable.
MILES